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16 **UNITED STATES DISTRICT COURT**

17 **NORTHERN DISTRICT OF CALIFORNIA**

18 **SAN FRANCISCO DIVISION**

19 IN RE: PROTEGRITY CORPORATION
20 AND PROTEGRITY USA, INC.,
21 PATENT LITIGATION

22 Case No.: 3:15-md-02600-JD

23 Case No.: 3:15-cv-00858-JD

24 **APTOS, INC.'S NOTICE OF MOTION
25 AND MOTION FOR ATTORNEYS' FEES
26 UNDER 35 U.S.C. § 285**

27 Hearing Date: December 15, 2016

28 Time: 10:00 a.m.

29 Courtroom: 11

30 Judge: The Honorable James Donato

31 **[REDACTED VERSION OF DOCUMENT SOUGHT TO BE SEALED]**

32 **APTOS, INC.'S NOTICE OF MOTION AND MOTION
33 FOR ATTORNEYS' FEES UNDER 35 U.S.C. § 285**
34 CASE NO.: 3:15-md-02600-JD; CASE NO.: 3:15-cv-00858-JD

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860-286-2929

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28	APTOPS, INC.'S NOTICE OF MOTION AND MOTION FOR ATTORNEYS' FEES UNDER 35 U.S.C. § 285 CASE NO.: 3:15-md-02600-JD; CASE NO.: 3:15-cv-00858-JD

1 TO ALL PARTIES AND THEIR RESPECTIVE COUNSEL OF RECORD:

2 PLEASE TAKE NOTICE THAT on December 15, 2016, or as soon thereafter as the
3 matter may be heard, in Courtroom 11, the courtroom of the Honorable James Donato, located at
4 450 Golden Gate Avenue, San Francisco, California, Defendant Aptos, Inc. (“Aptos”¹) will, and
5 hereby does move this Court for an award of attorneys’ fees and costs pursuant to 35 U.S.C. §
6 285.

7 This Motion is made pursuant to Federal Rule of Civil Procedure 54(d)(2), Local Rule
8 54-5, and the authorities cited in the supporting Memorandum of Points and Authorities.

9 This Motion is based on this Notice of Motion and Motion, the Memorandum of Points
10 and Authorities, the supporting Declaration of William J. Cass and the annexed Exhibits 1-27,
11 and upon such other and further matters as the Court deems appropriate.

12 Pursuant to Local Rule 54-5(b)(1), the undersigned certifies that counsel for Protegrity
13 Corporation (“Protegrity”) and Aptos met and conferred on August 10, 2016, for the purpose of
14 attempting to resolve any disputes with respect to this Motion, but no such resolution was
15 reached.

16 **SUMMARY OF RELIEF REQUESTED**

17 By this Motion, Aptos seeks an award of attorney’s fees pursuant to 35 U.S.C. § 285
18 because this is an “exceptional case,” under 35 U.S.C. § 285 because: (1) Protegrity failed to
19 undertake an adequate pre-suit investigation; and (2) the litigation was vexatious.

20 **MEMORANDUM OF POINTS AND AUTHORITIES**

21 **I. INTRODUCTION**

22 Protegrity is a serial litigant, who commenced this action, without undertaking a

23
24
25
26 ¹ During the course of this proceeding, Defendant separated one of its business units from
27 Epicor Software Corporation to APTOS, Inc. The Defendant is now known as Aptos, Inc.

1 reasonable pre-litigation investigation. This case originated in the District of Connecticut.
 2 Pursuant to the Case Management Plan entered by the District Court, Protegry was required to
 3 serve detailed infringement contentions at the very beginning of the action. Protegry's
 4 contentions failed to identify which aspects of Aptos' products satisfied the elements of the
 5 asserted patent claims. Instead, the contentions merely stated the products infringed "on
 6 information and belief," and were completely devoid of the element by element analysis required
 7 under the law. Further, Protegry never obtained a copy of the accused product, and did not
 8 inspect it before bringing this action.
 9

10 In fact, a copy of the accused Epicor Secure Data Manager software, installation guide
 11 and sample database was provided to counsel on May 7, 2014. The following year, on July 22,
 12 2015, its long-time expert was deposed and testified he had never examined the accused
 13 software and was unfamiliar with Aptos' product line. Even when provided with technical
 14 information, Protegry did nothing with it.
 15

16 A number of events also occurred early on in this case which should have given plaintiff
 17 pause. The validity of the '281 patent claims were called into question by the institution of a
 18 covered business review on April 15, 2014, in the matter of *Voltage Security, Inc. v. Protegry*
 19 *Corporation*, CBM2014-00024. The landscape for software patents changed significantly in the
 20 landmark decision of *Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 134 S. Ct. 2347 (2014) on June
 21 19, 2014. These events occurred before any institution of a covered business method review.
 22 Then the decisions in the various covered business method reviews began to issue calling into
 23 question the validity of the patents. Undaunted, Protegry attempted to argue a new claim
 24 position (which contradicted the position it had taken in earlier litigation), which was rejected by
 25 the Patent Trademark and Appeal Board (PTAB).
 26

27 Thus, this case is exceptional within the meaning of 35 U.S.C. § 285. Aptos seeks its
 28

1 fees for defending itself in this litigation, as well as the associated Covered Business Method
 2 Reviews in the U.S. Patent Office of the two asserted patents, in the amount of \$704,652.91 for
 3 attorneys' fees and \$188,528.44 in costs. Fees and costs associated with patent proceedings (and
 4 by analogy a cover business method review) are recoverable if the proceeding is related to the
 5 underlying litigation. These fees and expenses were reasonable and justified as set forth in the
 6 Declaration of William J. Cass, Esq. concurrently filed herewith.

7 **II. FACTUAL BACKGROUND**

8 Protegility commenced this action in the United States District Court for the District of
 9 Connecticut on December 2, 2013 for alleged patent infringement of U.S. Patent No. 6,321,201
 10 (the “ ‘201 Patent”) and U.S. Patent No. 8,402,281 (the “ ‘281 Patent”). The Complaint did not
 11 identify an accused product. [Dkt. No. 1.] Jurisdiction was predicated on Protegility undertaking
 12 business in the State of Connecticut, but this was later shown to be false. *See Protegility*
 13 *Corporation v. Dataguise, Inc.*, Conn. Dist. Ct. Civil Action No. 3:13-CV-00715 (VLB),
 14 Memorandum of Decision Granting Defendant’s Motion to Transfer Venue [Dkt. #36], Dkt. No.
 15 56.

16 Protegility previously attempted to create a nexus to Connecticut with its U.S. Subsidiary,
 17 alleging Protegility U.S.A. was an exclusive licensee with a one-sentence declaration. *See*
 18 *Protegility Corp. v. Voltage Security, Inc.*, No. 3:10-cv-00755 at Dkt. No. 455. However,
 19 Protegility U.S.A. is not a named party to this action against Aptos. Therefore, (1) jurisdiction in
 20 Connecticut was never proper; and (2) standing was doubtful because it failed to join a necessary
 21 and indispensable party (Protegility U.S.A.). *See Aspex Eyewear, Inc. v. Miracle Optics, Inc.*,
 22 434 F.3d 1336, 1344 (Fed. Cir. 2006).

23 The ‘201 Patent and ‘281 Patent are concerned with protecting data against unauthorized
 24 access. The claims concern granting access to a database according to processing rules. For

example, access to credit card data might be limited based on an employee's position. This is not a technical innovation. The Patent Trial and Appeal Board ("PTAB") later determined the claims were directed to an abstract idea. Declaration of William J. Cass in Support of Aptos' Notice of Motion and Motion for Attorneys' Fees Under 35 U.S.C. § 285 ("Cass Decl.") Cass Decl., Exh. 9, '201 Patent, Claims and 2:21–34, and Exh. 2, p. 27.

The parties' Joint Report of the Rule 26(f) Planning Meeting (the "Rule 26(f) Report") was filed on February 19, 2014 [Dkt. 22] and subsequently entered by the District Court in Connecticut on February 21, 2014. [Dkt. Text Entry.] Protegility's Initial Infringement Contentions were served on April 11, 2014 ("Initial Contentions"). Protegility alleged infringement of claims 1, 5, 8, 19 – 20, and 27 – 31 of the '201 Patent and claims 1 – 60 of the '281 Patent. Cass Decl., Exh. 13. The Initial Contentions simply repeated the in the patent claims and did not relate the claim elements to the accused product. Cass Decl., Exhs. 9, 10, and 13.

On April 15, 2014, in the matter of *Voltage Security, Inc. v. Protegility Corporation*, CBM2014-00024, the PTAB determined that the '281 Patent was eligible for covered business method patent review and went on to find that it is more likely than not that claims 1, 2, 17, 21, 32, 33, 45, 47, 53, and 58 were invalid under 35 U.S.C. § 101, and claims 1, 2, 12, 17, 21, 32 were invalid as obvious under 35 U.S.C. § 103 under prior art. Cass Decl., Exh. 11. Shortly after the Board's decision instituting trial, however, Patent Owner and Petitioner Voltage Security, Inc. settled. Cass Decl., Exh. 12.

On May 7, 2014, counsel for Aptos sent counsel for Protegility a letter addressing various deficiencies with respect to its infringement contentions as the contentions merely stated the products infringed "on information and belief," and were completely devoid of the element by element analysis required under the law. Cass Decl. Exh. 1 and attachment, 1(A). In an effort

1 to obtain Protegry's infringement position, also on May 7, 2014, Aptos provided Protegry
 2 with a sample database, the accused product's System Administrator Guide and Installation and
 3 Implementation Guide pursuant to the Protective Order ("Confidential, Attorneys' Eyes Only"),
 4 noting the accused software maintains [REDACTED]

5 [REDACTED]
 6 [REDACTED] Exh. 1,
 7 attachment (1B). Aptos requested Protegry to supplement its Initial Infringement Contentions
 8 and reserved its right to seek attorneys' fees and costs. Cass Decl., Exh. 1.

9
 10 The May 7, 2014 letter to counsel additionally set forth in detail why the accused product
 11 could not infringe either the '201 or '281 Patents in light of the prosecution history of the two
 12 patents. The letter included a discussion of the '201 Patent re-examination and the arguments
 13 made to distinguish the prior art, including statements that the prior art was deficient because it
 14 allegedly stored an entire record containing multiple fields as a single cipher text component,
 15 citing the Declaration of Ulf Mattsson, the Chief Technology Officer of Protegry, submitted to
 16 the Patent Office on May 10, 2011. *Id.* The May 7, 2014 letter also pointed out that all of the
 17 claims of the '201 Patent require a data element value (the combination of a row and a column)
 18 that is linked to a corresponding data element type. The data element type is stored in a separate
 19 data base. Thus, [REDACTED]

20 [REDACTED] *Id.* As also noted to Protegry in the May 7, 2014
 21 letter, during the prosecution of the '281 Patent, the applicants distinguished the prior art as
 22 requiring a separate data protection catalog [citing the prosecution history]:

23
 24 Thomson describes a security table that maps users (by user IDs) to columns of
 25 data in a database to which the users have access. Thomson, Fig. 4; col. 4, 27-43.
 26 For a particular database column, if a user is associated with the column in the
 27 security table, then the user can access the column in the database. So long as a
 28 requesting user is associated with any of the user IDs associated with a particular

1 database column, the requesting user can access the particular database column.

2 In contrast, the claimed data protection table includes a plurality of data
 3 processing rules associated with a data portion, each of which must be satisfied
 4 before the portion can be accessed. Accordingly, as agreed upon in the interview,
 5 Thomson fails to teach or suggest at least the claimed element "maintaining a
 6 separate data protection able comprising, for each of one or more data portions, a
 7 plurality of data processing rules associated with the data portion that must each
 8 be satisfied before the data portion can be access." The other references fail to
 9 remedy this deficiency. . .

10 Cass Decl., Exh. 1, Relevant Portions of the Prosecution History '281 Patent. Each of the claims
 11 of the '281 Patent require maintaining a plurality of data portions and a plurality of data
 12 processing rules associated with that portion. Cass Decl., Exh. 10, '281 Patent claims.

13 On June 13, 2014, Protegry served Supplemental Infringement Contentions. The
 14 supplemental contentions were again vague, incomplete, and based on "information and belief"
 15 or "information and *reasonable* belief." Cass Decl., Exh. 14. Counsel for Aptos again attempted
 16 to resolve the matter, but without success. On July 31, 2014, Aptos brought a Motion to Compel.
 17 Protegry filed its response to the Motion to Compel on August 21, 2014. Aptos filed a Reply
 18 on August 29, 2014. [Dkt. Nos. 38-39, 41, and 44.]

19 On October 1, 2014, Aptos filed a Petition requesting a review under the transitional
 20 program for Covered Business Method patents of claims of 1, 5, 19-20 and 27 – 31 of the '201
 21 Patent pursuant to 35 U.S.C. § 321, Section 18 of the Leahy-Smith America Invents Act ("AIA")
 22 and 37 C.F.R. § 42.300 (hereinafter the "Aptos '201 Petition"). *Epicor Software Corporation v.*
23 Protegry Corporation, CBM2014-00002 (PTAB October 1, 2014) (Paper No. 1).

24 On September 16, 2014, Protegry filed a Motion to Compel Document Production and
 25 Memorandum of Law in Support, and in opposition, on October 7, 2014, Aptos filed a Motion
 26 for a stay in light of the Aptos '201 Petition, and another CBM Petition on the '281 Patent filed
 27 by Square, Inc. [Dkt Nos. 50 and 55.] Protegry filed its response to the motion for a stay on

1 October 28, 2016, citing, in part, that it was alleging claim 8 of the ‘201 Patent, which was not
 2 subject to a CBM petition (claim 8 had been held invalid in another litigation). [Dkt. No. 58.]

3 On October 7, 2014 and October 31, 2014, APTOS, Inc. (“Petitioner”) filed a Petition
 4 and an Amended Petition requesting a review under the transitional program for Covered
 5 Business Method patents of claims 1–60 of the ‘281 Patent pursuant to the AIA and 37 C.F.R. §
 6 42.300 (hereinafter the “Aptos ‘281 Petition”). *Epicor Software Corporation v. Protegry*
 7 *Corporation*, CBM2015-00006 (PTAB October 7, 2014 and October 31, 2014) (Paper Nos. 1
 8 and 9).

10 On November 25, 2014, Aptos filed a third Petition requesting a review under the
 11 transitional program for Covered Business Method patents of claim 8 of the ‘201 Patent pursuant
 12 to the AIA and 37 C.F.R. § 42.300 (hereinafter the “Aptos ‘201 Claim 8 Petition”). *Epicor*
 13 *Software Corporation v. Protegry Corporation*, CBM2015-00030 (PTAB November 25, 2014)
 14 (Paper No. 1). Claim 8 had previously been found invalid, but Protegry used it as a basis to
 15 oppose the stay.

16 In support of the CBM petitions, Aptos submitted the expert declaration of Mr. Bruce
 17 Schneier (“Mr. Schneier”). Thereafter, Protegry attempted to depose Mr. Schneier in the
 18 underlying patent litigation (despite the fact that no expert report had been rendered in the
 19 district court litigation) and filed an Emergency Motion to Compel Defendant to Produce Mr.
 20 Schneier’s for Deposition on December 11, 2014, which Aptos opposed on December 12, 2014.
 21 [Dkt. Nos. 68 and 69.]

22 On December 16, 2014, the District Court granted Aptos’ Motion to Stay the District
 23 Court proceedings and denied (without prejudice to renew at a later time) Aptos’ Motion to
 24 Compel Infringement Contentions, and Protegry’s Motion to Compel Mr. Schneier’s
 25 Deposition and Motion to Compel Defendant’s Document Production. [Dkt. No. 72.]

1 On November 7, 2014, a Motion to Transfer to the Multi-District Litigation docket
 2 (MDL) was filed by Protegriaty (and accepted). [MDL No. 3:15-md-02600-JD, Dkt. No. 1.] On
 3 February 6, 2015, after proceedings before the MDL panel, this matter was transferred to this
 4 Court. [MDL No. 3:15-md-02600-JD, Dkt. No. 20.] This Court then entered a stay on August
 5 10, 2015, pending determinations by the Patent Trial and Appeal Board. [MDL No. 3:15-md-
 6 02600-JD, Dkt. No. 55.]

7 By stipulation, the depositions of the witnesses offered by Protegriaty in the CBM
 8 proceedings were consolidated. Counsel for Aptos took the lead in the questioning of the
 9 witnesses. The deposition of Protegriaty's expert witness, Harry Direen, Ph. D., P.E. ("Dr.
 10 Direen") was taken on July 22, 2015 ("Direen Dep.") in the CBM matters. Exh. 15. Dr. Direen
 11 has testified on several occasions for Protegriaty.² *Id.*

12 Dr. Direen testified:

13 Q. Okay. Have you ever analyzed any of the software of Epicor?
 14 A. No, I do not believe so.
 15 Q. Would you – do you know what type of products Epicor sells?
 16 A. No, I – I do not.

17 Exh. 15, Direen Dep., p. 12, lns. 20-22 and p. 13, ln. 24 - p. 14, ln. 2.

18 Dr. Direen never even examined the accused Epicor Secure Data Manager software,
 19 installation guide, or sample database which was provided to counsel on May 7, 2014. *Id.*

20 On July 23, 2015, Mr. Ulf Mattsson's deposition was taken in the CBM matters
 21 ("Mattsson Dep."). Mr. Mattsson is Protegriaty's Chief Technology Officer:

22 Q. Now, have you ever obtained, to your knowledge – and when I say
 23 you, you or anyone at Protegriaty – ever obtained a copy of Epicor
 24 software – purchase a copy of Epicor software?
 25 Mr. Pollack: Object to the form. Outside the scope.

26 ² No stranger to litigation, Protegriaty has been a party to over 45 patent litigations. Cass Decl.,
 27 Exh. 16.

The Witness: Of the software?

Q. (By Mr. Cass) Yes.

A. I've seen the – I've not seen the software. I've seen the retail suite, the – some of the software offerings.

Q. Where?

A. On the website.

Q. Just from the website, that's all you've seen?

A. Yeah.

Q. Did you or anyone from your company, to your knowledge, ever acquire a copy of Epicor software?

Mr. Pollack: Object to the form. Outside the scope.

The Witness: Not to my knowledge.

Cass Decl., Exh. 17, Mattsson Dep., p. 141, ln. 20 – p. 142, ln. 15.

According to the letter exchange between counsel for Protegriity and Aptos, neither Protegriity nor its counsel ever acquired a sample of the Aptos' software before commencing this litigation. *See* Cass Decl. Exhs. 18, 19, and 23.

Suni Munshani (“Munshani”) is the Chief Executive Officer of Protegrity. Mr. Munshani was previously found to have fabricated evidence in a civil trade secrets dispute in Massachusetts.³ The criminal proceedings against him were later dismissed. Cass Decl., Exh. 20. At various times Mr. Munshani wrote to various executives at Aptos, disparaging counsel, accusing counsel of being unqualified, of ratcheting up legal fees, and mischaracterizing counsel’s qualifications. Cass Decl. Exhs. 21, 22, and 28.

The patents-in-suit were the subject of the following seven (7) Patent Trial and Appeal Board (“PTAB”) Final Written Decisions (the “Final Written Decisions”):

1. *Epicor Software Corp. v. Protegry Corp.*, CBM2015-00002 (April 20, 2016);
2. *Square, Inc. v. Protegry Corp.*, CBM2015-00014 (April 28, 2016);
3. *Informatica Corp. v. Protegry Corp.*, CBM2015-00021 (May 31, 2016);
4. *Epicor Software Corp. v. Protegry Corp.*, CBM2015-00030 (Jun 2, 2016);
5. *Square, Inc. v. Protegry Corp.*, CBM2014-00182 (March 2, 2016);
6. *Epicor Software Corp. v. Protegry Corp.*, CBM2015-00006 (April 18, 2016); and
7. *Informatica Corp. v. Protegry Corp.*, CBM2015-00010 (May 9, 2016).

³ *Munshani v. Signal Lake Venture Fund II, LP*, 805 N.E.2d 998 (Mass.App.Ct. 2004).

1 Cass Decl., Exhs. 2-8, respectively. In an effort to reduce the burden and costs of litigation,
 2 Aptos challenged the validity of Protegry's patents by pursuing its Petitions before PTAB
 3 commencing in October, 2014 through July, 2016. Cass Decl. ¶¶ 39-53, and Exh. 27.

4 The PTAB's Final Written Decisions invalidate the patents-in-suit in their entirety. On
 5 July 13, 2016, the parties stipulated to judgment of invalidity, which was entered by the Court on
 6 July 15, 2016. MDL No. 3:15-md-02600-JD [Dkt. Nos. 103 and 106.] All remaining actions
 7 concerning the merits were suspended. *Id.* at 106. In the PTAB proceedings, Protegry
 8 attempted to advocate a claim construction for "database," which contradicted its position in
 9 earlier litigation. Protegry also brought various motions to strike Petitioner's expert witness
 10 and sought to amend the patent claims. The PTAB rejected these positions. However, Aptos'
 11 legal resources were required to oppose them. Cass Decl. ¶¶ 49-50 and Exhs. 24 and 26.

12 On September 26, 2016, the parties attended a mediation session before Magistrate Judge
 13 Ryu. Protegry failed to have an executive officer with settlement authority present. Cass Decl.,
 14 ¶ 54.

15 **III. THE LAW**

16 **A. A Plaintiff Must Undertake a Reasonable Pre-Suit Investigation and Provide**
 17 **Infringement Contentions**

18 A Plaintiff is responsible for conducting a thorough pre-filing investigation and to give
 19 defendants disclosure sufficient to "provide reasonable notice to the defendant why the plaintiff
 20 believes it has a reasonable chance of proving infringement . . ." *Digital Reg of Texas, LLC v.*
 21 *Adobe Sys. Inc.*, 2013 WL 633406 at *3 (N.D. Cal. Feb. 20, 2013). Even if there is little publicly
 22 available information, plaintiff still must meet its obligations. *Bender v. Maxim Integrated*
 23 *Prods. Inc.*, 2010 WL 2991257, at *3 (N.D. Cal. July 29, 2010) (plaintiff cannot assert
 24 conclusions and effectively shift the burden of identifying his claims to defendant). It is well-
 25

1 settled that either parroting claim language or making vague or boilerplate statements that a
 2 limitation is satisfied are insufficient, as neither situation provides a basis for an infringement
 3 claim. *Theranos, Inc. v. Fuisz Pharma LLC*, 2012 WL 6000798 at *6 (N.D. Cal. Nov. 30, 2012);
 4 *Shared Memory Graphics LLC v. Apple, Inc.*, 812 F. Supp. 2d 1022, 1026 (N.D. Cal. 2010);
 5 *Droplets, Inc. v. Amazon.com, Inc.*, 2013 WL 1563256 (N.D. Cal. Apr. 12, 2013); *Bender v.*
 6 *Infineon Technologies N. Am. Corp.*, 2010 WL 964207 (N.D. Cal. Mar. 16, 2010).

7 The requirement that infringement contentions be submitted before discovery has begun
 8 serves to narrow and focus the subsequent discovery. *Linex Technologies, Inc. v. Belkin Int'l,*
 9 *Inc.*, 628 F. Supp. 2d 703, 707 (E.D. Tex. 2008).⁴ “The Patent Rules require parties to evaluate
 10 their infringement contentions early in litigation, so the case takes a clear path, focusing
 11 discovery on building precise final infringement or invalidity contentions and narrowing issues
 12 for *Markman*, summary judgment, trial, and beyond.” *Id.*

13 **B. The Standard for An Exceptional Case**

14 Section 285 of the Patent Act provides, in its totality, that “[t]he court in exceptional
 15 cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. Until 2014,
 16 the Court of Appeals for the Federal Circuit applied a rigid and restrictive test to determine
 17 whether a case is “exceptional.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct.
 18 1749, 1754 (2014). Before *Octane* Fitness, a case could be deemed exceptional only if the
 19 prevailing party showed, by clear and convincing evidence, either litigation misconduct or that
 20

21
 22
 23 ⁴ While the District of Connecticut does not have Local Patent Rules, the Parties’ Rule 26(f)
 24 Report, Section F, requires Protegry to serve infringement contentions. The provision is
 25 substantively identical to the infringement contention Local Rules for the Northern District of
 26 California and the Eastern District of Texas (Patent L.R. 3-1 for both) in all relevant aspects.
 27 Accordingly, Aptos cites to cases from both those districts as instructive on the proper
 28 applications of these obligations.

1 the litigation was both objectively baseless and brought in subjective bad faith – a standard that
 2 was exacting to say the least. *Id.*

3 In *Octane Fitness*, the Supreme Court held that the Federal Circuit's restrictive
 4 interpretation was “so demanding that it would appear to render § 285 largely superfluous.” *Id.*
 5 at 1758. The Court held that a case could be deemed exceptional simply if it “stands out from
 6 others with respect to the substantive strength of a party's litigating position (considering both
 7 the governing law and the facts of the case) or the unreasonable manner in which the case was
 8 litigated.” *Id.* at 1756. Now, in exercising their discretion, district courts consider the totality of
 9 the circumstances, including “frivolousness, motivation, objective unreasonableness (both in the
 10 factual and legal components of the case) and the need in particular circumstances to advance
 11 considerations of compensation and deterrence.” *Id.* at 1756 n.6. Moreover, the Supreme Court
 12 lowered the standard for proving exceptionality to preponderance of the evidence. *Id.* at 1758.

13 In *Homeland Housewares, LLC v Sorenson Research*, 581 F. App'x 877 (Fed. Cir. 2014),
 14 the Federal Circuit affirmed a finding of an exceptional case and award of attorneys' fees under
 15 the *Octane* standard. *Id.* at 882. There, in granting summary judgement, the district court found
 16 that Sorenson had “produced no admissible evidence that Homeland's products infringed” and
 17 awarded attorneys' fees connected to Homeland's non-infringement defense. *Id.* at 879-80. The
 18 court stated that “[a]lthough Sorenson repeatedly attached Homeland's [non-infringement]
 19 evidence, it failed to produce its own admissible evidence of infringement.” *Id.* at 881. The
 20 District Court held, and the Federal Circuit affirmed, that “it was clear and convincing
 21 misconduct to make Homeland litigate infringement given the state of Sorenson's evidence.” *Id.*
 22 at 880. The court recognized that “[a] patent holder has the right to vigorously enforce its
 23 presumptively valid patent.” But that this right “cannot overpower a litigant's and its counsel's
 24 obligation to file cases reasonably based in law and fact and to litigate those cases in good faith.”
 25

1 *Id.* at 881.

2 In *Yufa v. TSI Incorporated et al.*, Case No. 12-cv-1614, 2015 U.S. Dist. LEXIS 106301
 3 (C.D. Cal Aug. 12, 2015) the court held that based on the totality of the circumstances, the
 4 infringement action was exceptional. *Id.* at *5. The court found, among other things, that the
 5 plaintiff failed to conduct adequate pre-filing investigations, i.e. failed to “interpret the asserted
 6 patent claims and compare the accused device with those claims before filing a claim alleging
 7 infringement.” The court further noted that the plaintiff should have realized that his case was
 8 meritless as the litigation progressed. *Id.* at *3-4.

9

10 **C. Attorneys' Fees and Costs May be Awarded for the Work Undertaken in the**
CBM Proceedings

11 The Federal Circuit “interpret[s] attorney fees to include those sums that the prevailing
 12 party incurs in the preparation for and performance of legal services *related to the suit.*” *Cent.*
 13 *Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1578 (Fed. Cir. 1983) (emphasis added).

14 In *Deep Sky Software, Inc. v. Southwest Air Lines Co.*, Case No. 10-cv-1234-CAB (KSC)
 15 (S. Dist. Cal.), the Defendant filed a request for reexamination of the asserted patent. The parties
 16 moved for a stay of the proceedings. The District Court found the legal services counsel
 17 performed for defendant during reexamination of the patent were related to this suit. The court
 18 noted that “[r]eexamination was initiated during and in reaction to plaintiff’s lawsuit. Further,
 19 the PTO’s cancellation of the asserted ’770 Patent claims on grounds of invalidity disposed of
 20 plaintiff’s complaint here and made defendant the prevailing party. Thus, just as the parties
 21 envisioned when they jointly moved to stay this case, the reexamination proceedings essentially
 22 substituted for work that would otherwise have been done before this court. *See PPG Indus.,*
 23 *Inc. v. Celanese Polymer Specialties Co., Inc.*, 840 F.2d 1565, 1569 (Fed. Cir. 1988) (the
 24 prevailing party was “entitled to reasonable attorney fees based upon the premise that the reissue

1 proceedings substituted for the district court litigation on all issues considered by the PTO and
 2 the Board.”). Thus, under the unique circumstances of this case, defendant may recover fees for
 3 the reexamination proceedings.”

4 **D. How Fees and Costs Are Determined**

5 In *Henlsey v. Eckerhart*, 461 U.S. 424 (1983), the Supreme Court provided the following
 6 guidance as to determination of a reasonable fee award:

7 The most useful starting point for determining the amount of a reasonable fee is
 8 the number of hours reasonably expended on the litigation multiplied by a
 9 reasonable hourly rate. This calculation provides an objective basis on which to
 10 make an initial estimate of the value of a lawyer’s services. The party seeking an
 11 award of fees should submit evidence supporting the hours worked and rates
 12 claimed. Where the documentation of hours is inadequate, the district court may
 13 reduce the award accordingly. The district court also should exclude from this
 14 initial fee calculation hours that were not “reasonably expended.” S. Rep. No. 94-
 15 1011, p. 6 (1976). Cases may be overstaffed, and the skill and experience of
 16 lawyers vary widely. Counsel for the prevailing party should make a good faith
 17 effort to exclude from a fee request hours that are excessive, redundant, or
 18 otherwise unnecessary, just as a lawyer in private practice ethically is obligated to
 19 exclude such hours from his fee submission.

20 *Id.* at 433-34. *See also* Cass Decl. Exhs. 24 and 25.

21 **IV. ARGUMENT**

22 This case is exceptional because the Plaintiff never undertook an adequate pre-suit
 23 investigation and filed the action without even examining the accused product. This behavior
 24 was compounded by the assertion of seventy claims, all grounded on nothing – “information and
 25 belief.” Even after plaintiff was provided with a sample database, installation and instruction
 26 guide, plaintiff refused to set forth its contentions and did not even bother to have its expert
 27 review the Defendant’s materials. Cass Decl. Exhs. 1, 13, 14, and 15. Moreover, jurisdiction in
 28 Connecticut was improper as Protegility U.S.A. was not a party. Standing was doubtful because
 the exclusive licensee (Protegility U.S.A.) was not a party.

1 Faced with adverse decisions in the CBMs, Protegility advocated a new definition for
 2 “database,” created out of whole cloth, which contradicted the position it took in earlier litigation
 3 on the same patents. Cass Decl., ¶ 49. All of these activities needlessly made the proceedings
 4 more expensive. Finally, the actions of Protegility’s CEO, who has a history of wrongful conduct
 5 in civil litigation (having been found to have tampered with evidence), is a further illustration
 6 that this litigation was not about seeking justice for wrongful conduct by the Defendant, but
 7 rather the use of the judicial system to make money.

8 **V. CONCLUSION**

9 Defendant Aptos is entitled to an award of attorneys’ fees and costs in this action from
 10 the Plaintiff, Protegility. This case is exceptional under 35 U.S.C. § 285, because: (1) Protegility
 11 failed to undertake an adequate pre-suit investigation; (2) the litigation was vexatious; and (3) the
 12 Chief Executive Officer attempted to interfere with the attorney-client relationship.

13 Protegility’s contentions failed to identify which aspects of Aptos’ products satisfied the
 14 elements of the asserted patent claims. Instead, the contentions merely stated the products
 15 infringed “on information and belief,” and were completely devoid of the element-by-element
 16 analysis required under the law. Further, Protegility never obtained a copy of the accused
 17 product, and did not inspect it before bringing this action. A copy of the accused Epicor Secure
 18 Data Manager software, installation guide and sample database was provided to counsel on May
 19 7, 2014. On July 22, 2015, its long-time expert was deposed and testified that he had never
 20 examined the accused software and was unfamiliar with Aptos’ product line. Even when
 21 provided with technical information, Protegility did nothing with it.

22 Aptos seeks its fees for this litigation as well as for the associated Covered Business
 23 Method Reviews of the two asserted patents at the Patent Office in the amount of \$704,652.91
 24 for attorneys’ fees and \$188,528.44 in costs, totaling \$893,181.35. *See* Cass Exhs. 24 and 26.

Respectfully submitted,

Dated: October 25, 2016

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CERTIFICATE OF SERVICE

I hereby certify that on October 25, 2016 a true and correct copy of the foregoing document was filed and served electronically by this Court's CM/ECF system on all parties of record.

By: /s/ William J. Cass
William J. Cass